

POSITIONING MARYLAND IN THE MIDDLE EAST AND NORTH AFRICA

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The Governor's Commission on Middle Eastern American
Affairs in partnership with the Baltimore Chapter of the
Network of Arab-American Professionals

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AGENDA

INTRODUCTION

MOTIVATION

FDI

BUSINESS OPPORTUNITIES INSIDE MENA

SUMMARY AND RECOMMENDATIONS

Hoossam S. Malek

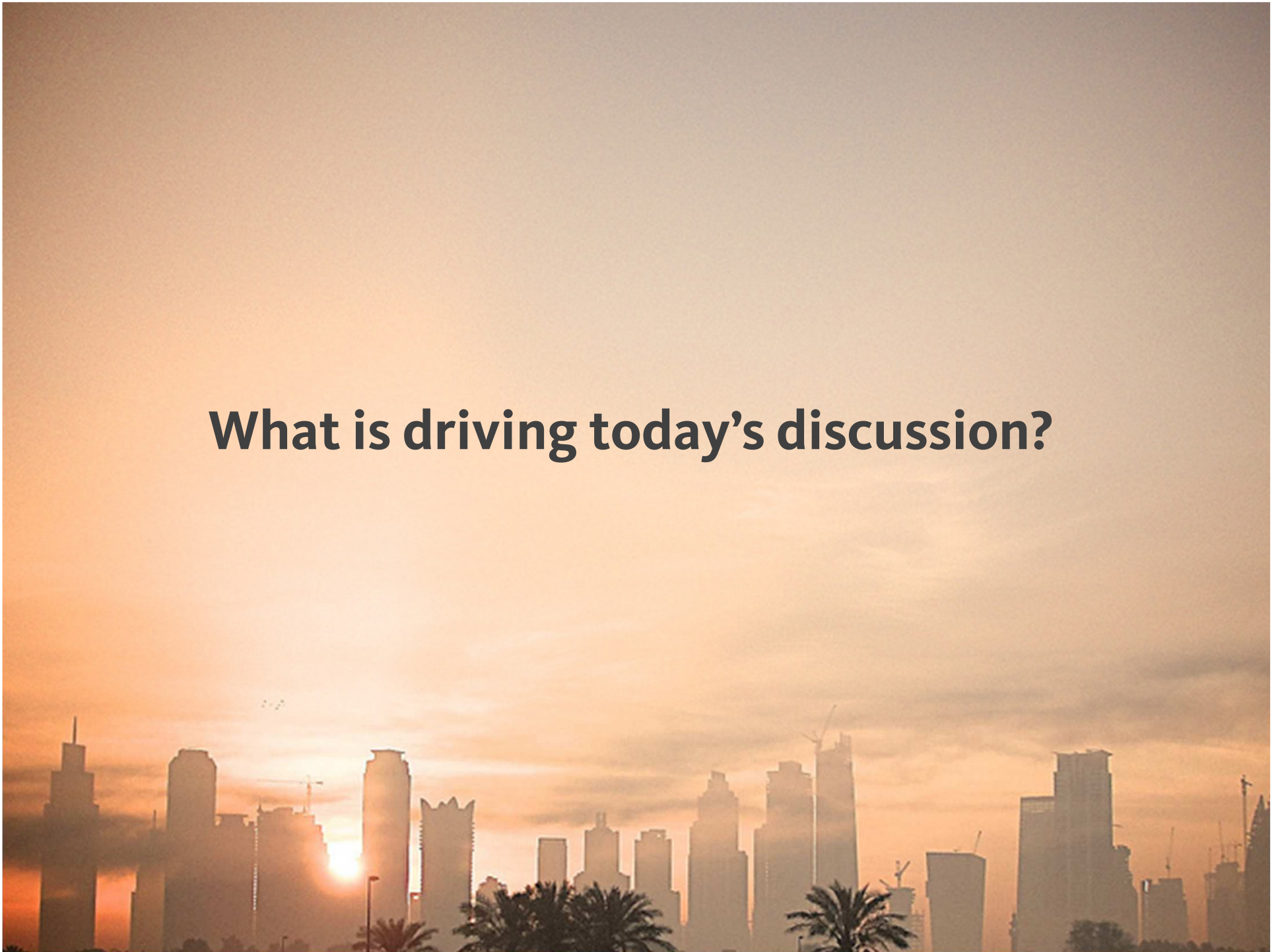
**Fixed Income Research Associate,
BCP Securities LLC**

Syrian-American,
Born and raised in Baltimore, MD
Dulaney Public High School
Princeton University
University of Chicago Graduate School of Business

Background in Emerging Markets Finance
focusing on Middle Eastern and African
Distressed Debt



What is driving today's discussion?

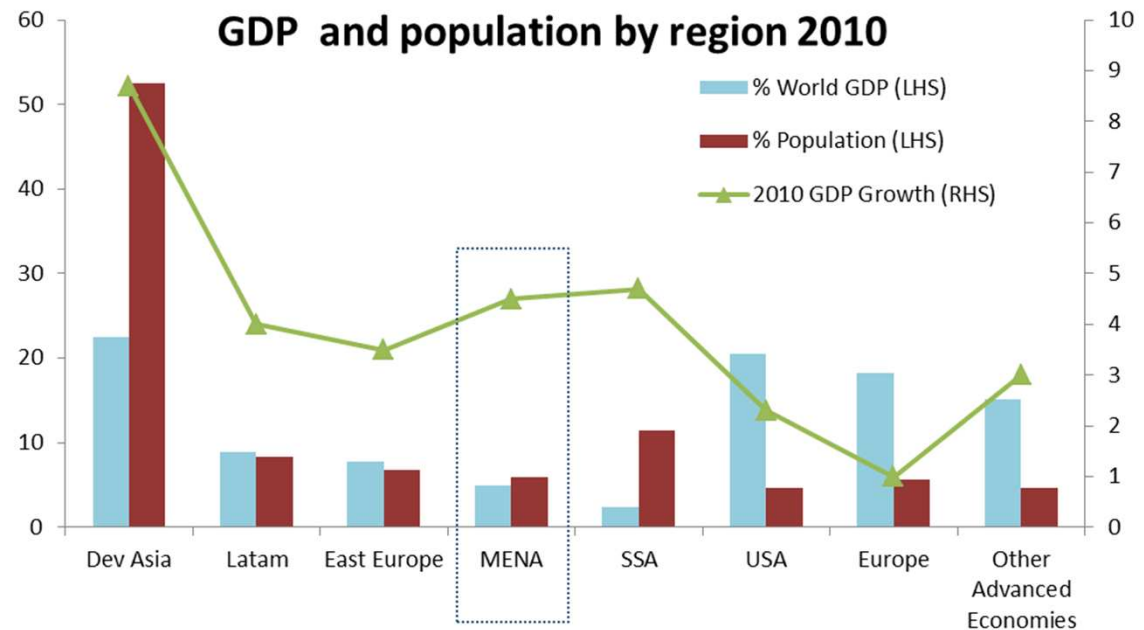


The writing on the wall

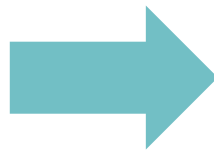
Emerging Markets are growing 2.5x as fast

The Middle East and North Africa (MENA) account for 5% of world GDP (USA is 20%)

MENA is **one of the fastest growing** regions in the world.



47%



57%

of 2010 World GDP comes from the Emerging Markets

of 2020 World GDP will come from the Emerging Markets

Positioning Maryland in the MENA region

Promote FDI here or exports there?

The fundamental economics of Emerging Markets is that they are high growth with potentially high returns on capital.



Types of FDI

Greenfield FDI can create employment

Foreign Direct Investment (FDI) is a 10% or more ownership interest in an enterprise in a foreign economy and is intended towards significant control and influence on that enterprise.

There are two types of FDI:

GREENFIELD

BROWNFIELD

Why is FDI good for MD?

Fresh investment in the local economy can create **jobs** amongst other things.

Example One - Greenfield

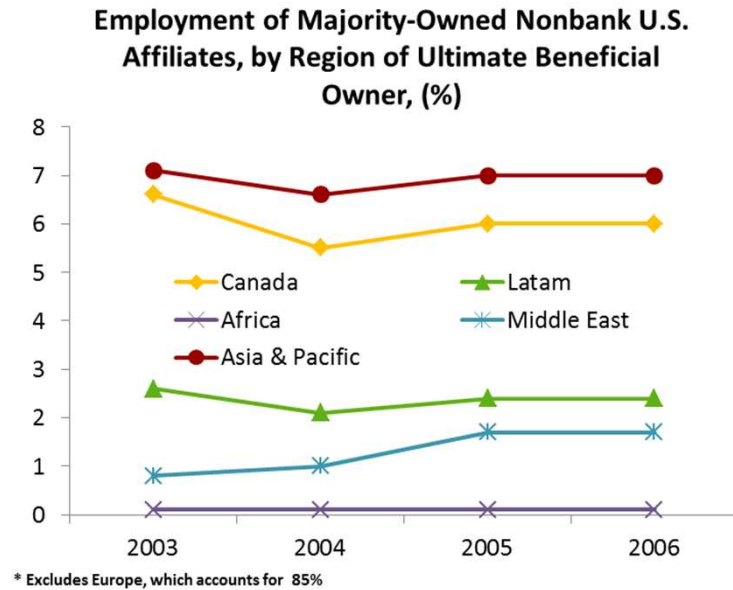
Dubai Ports World purchases a concession from a foreign Port Authority to operate the port. It invests millions of dollars to upgrade the facility and to make it competitive creating jobs and promoting the local economy, suppliers, and financial institutions

Example Two – Brownfield

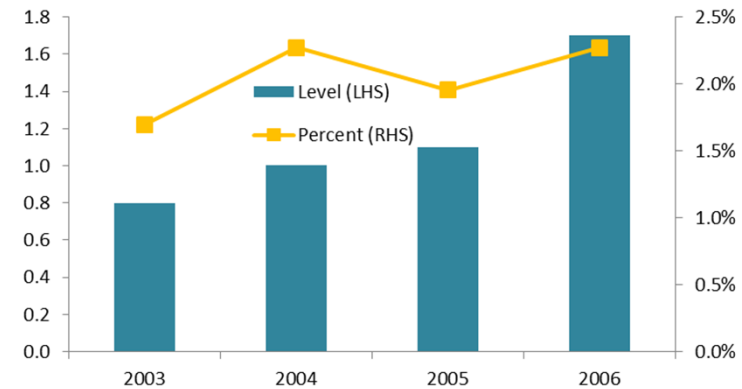
A company has 30% of its publicly traded shares bought by a private equity fund out of Dubai

Not a lot of MENA greenfield FDI into the US

Only 1.7k jobs at MENA-owned affiliates



MD's Share of employment from Affiliates of MENA Companies



5,334,000 Jobs

USA employment at Foreign owned affiliates

75,000 Jobs

USA employment at MENA owned affiliates

105,000 Jobs

MD employment at foreign owned affiliates

1,700 Jobs

MD employment at foreign at MENA owned affiliates

Highest shares of MENA affiliates employment

Look at these states for strategies

Massachusetts

New York

Pennsylvania

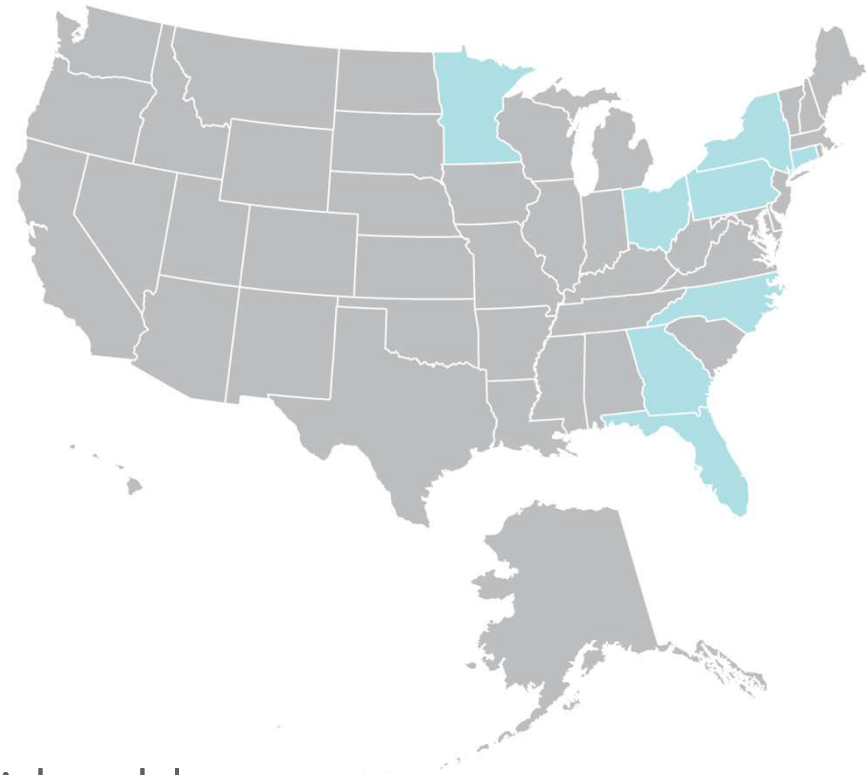
Ohio

Minnesota

Florida

Georgia

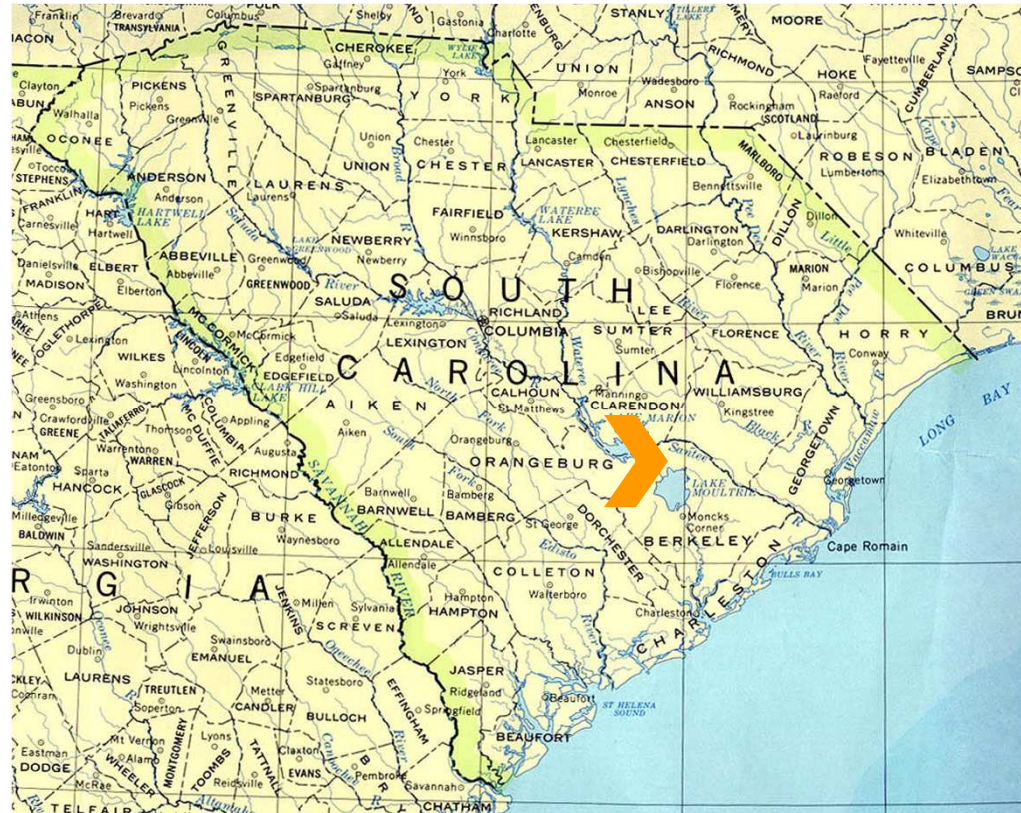
Tennessee



➤ South Carolina landed a considerable investment from the Jebel Ali Free Zone

Warehousing and Distribution South Carolina and JAFZA

In 2006 the Jebel Ali Free Zone Establishment (JAFZE) purchased 1,324 acres of property in Santee South Carolina to replicate warehousing, distribution, and light manufacturing facilities similar to JAFZA's assets in Dubai. All environment due diligence is complete and the site is certified. Project has stalled because of the global crisis but original plans were for **4,000 new jobs by 2020**.



What else might work?

FDI: Various Approaches

“They liked real estate because they had experience with it. They like to follow the steps of their brothers. If Maryland concentrates on one or two areas and succeeds then others will follow.”

Arab American, MD based CEO

“Have one of the new gulf airline carriers operate out of BWI”

Senior Manager, Etihad Airlines

“Send the Governor on a trade delegation to foster personal relationships”

Executive VP, Nat-US Arab Chamber of Commerce

Nowadays the low hanging fruit is over there
Billion dollar build-outs

Infrastructure

Projects in energy, petrochemicals, and the expansion of roadways, airports, railways and ports.

- \$79bn in KSA, \$64bn in UAE, \$150bn in Libya
- \$3.1bn investment in Egyptian water treatment, highways, housing.
- Massive Iraqi demand for oil field services and upstream development



Nowadays the low hanging fruit is over there
Billion dollar build-outs

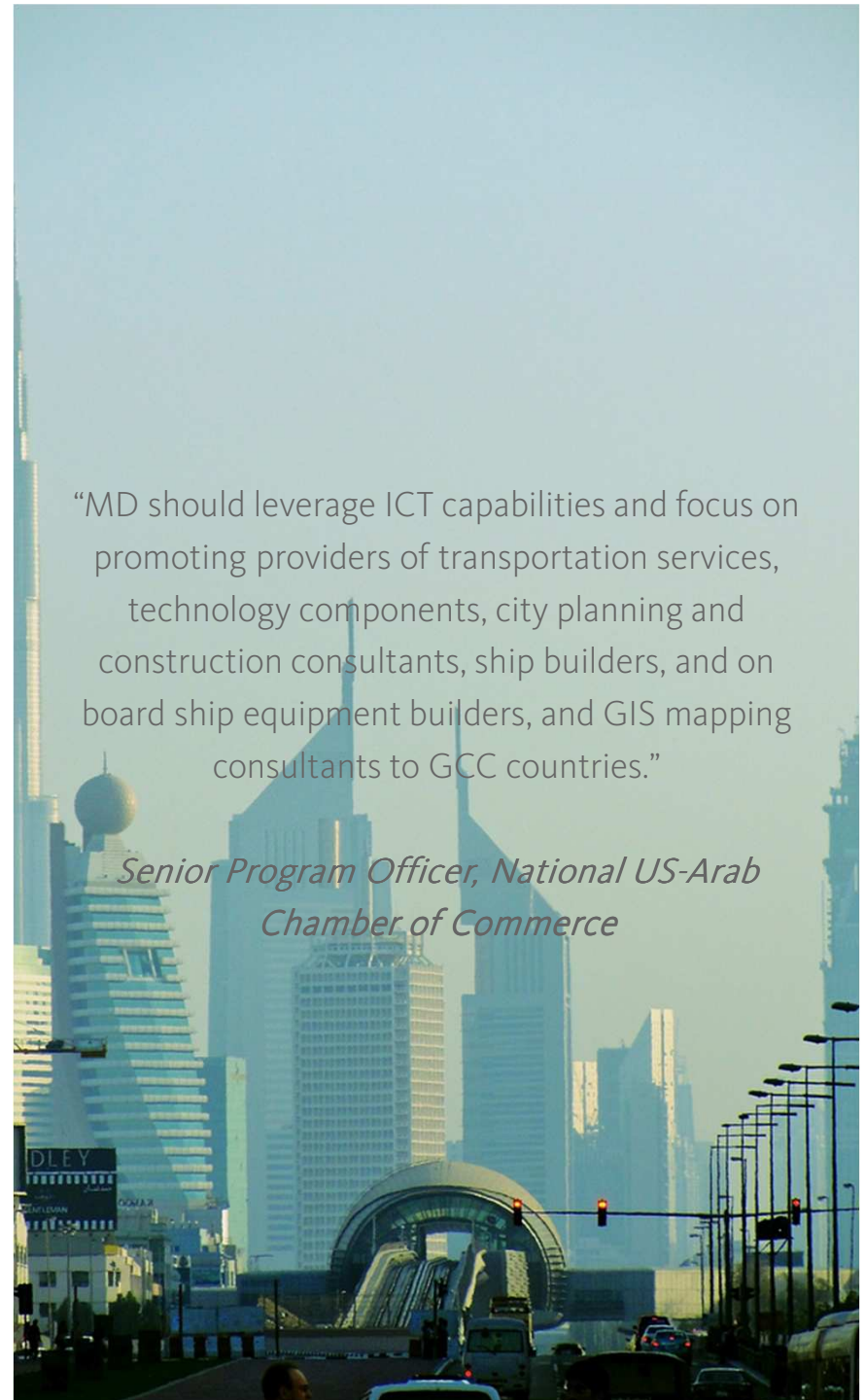
Interconnectivity

GCC is also the fastest growth region in the for ICT infrastructure, anticipating to spend \$50bn this year.

- \$25 billion 1,242 mile rail project connecting Kuwait city all the way to Salalah in Oman.
- Qatar to invest \$17 billion into a rail network, Saudi Arabia to invest \$30 billion for the construction of freight rail.

“MD should leverage ICT capabilities and focus on promoting providers of transportation services, technology components, city planning and construction consultants, ship builders, and on board ship equipment builders, and GIS mapping consultants to GCC countries.”

*Senior Program Officer, National US-Arab
Chamber of Commerce*



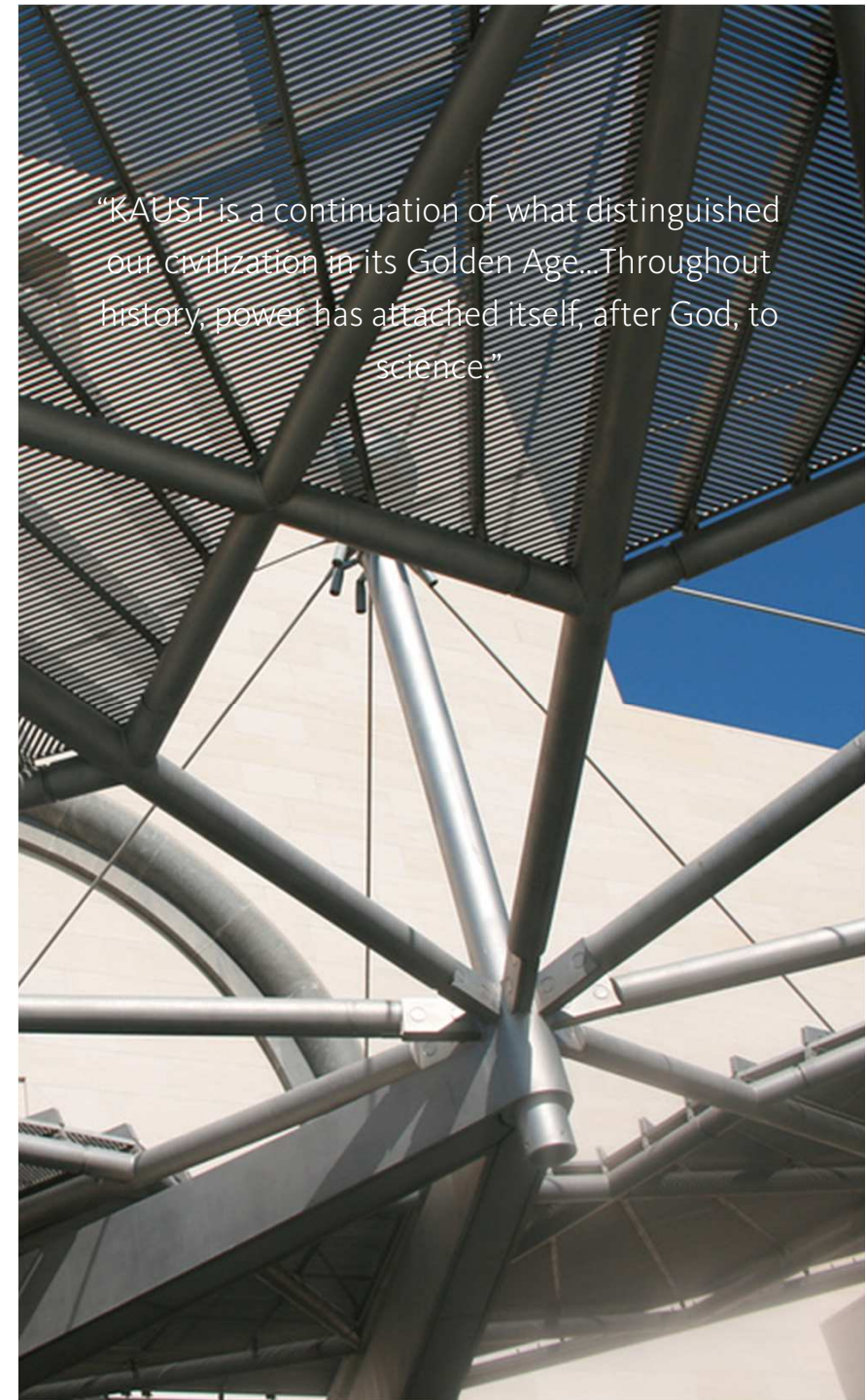
Nowadays the low hanging fruit is over there

Billion dollar build-outs

Educational Capacity Building

King Abdullah University of Science and Technology (KAUST) inaugurated in 9/09 and is the first graduate level research institution of its kind in the Arab World. \$2.6bn to build and \$10bn endowment all in one year. Harvard's endowment is \$27bn. Boeing (Illinois based) is a founding member and partner of KAUST's Innovation and Industrial Collaboration program.

- Masdar Institute of Science and Technology in Abu Dhabi.
- Qatar Foundation in Doha
- Smart Village in Cairo.
- Princess Noura bint Abdul Rahman University will be largest higher education institution for women in the world.
- American Universities in the gulf, Cornell, Carnegie Mellon, Georgetown, Texas A&M, VCU, Rochester Institute of Technology, Michigan State



"KAUST is a continuation of what distinguished our civilization in its Golden Age...Throughout history, power has attached itself, after God, to science."

Summary & Recommendations

Be Proactive

1. Concentrating on attracting MENA FDI into MD might not be the best approach, rather look to connect MD business with the mega infrastructure spends happening in the Gulf Countries. If it must be FDI, figure out exactly what went down in Orangeburg SC.
2. Consider consulting closely with the National US Arab Chamber of Commerce to make a trade mission to Egypt, UAE, Saudi Arabia, Kuwait, and Iraq.
3. Follow up on this friendship agreement between MD and Baghdad



Appendix

Sources

Committee on Foreign Investment in the United States, U.S. Department of the Treasury

United Nations Conference on Trade and Development (UNCTAD), United Nations

Bureau of Economic Analysis (BEA), US Department of Commerce

Office of the United States Trade Representative

Invest in America, US Department of Commerce

National U.S. –Arab Chamber of Commerce

International Monetary Fund (IMF)

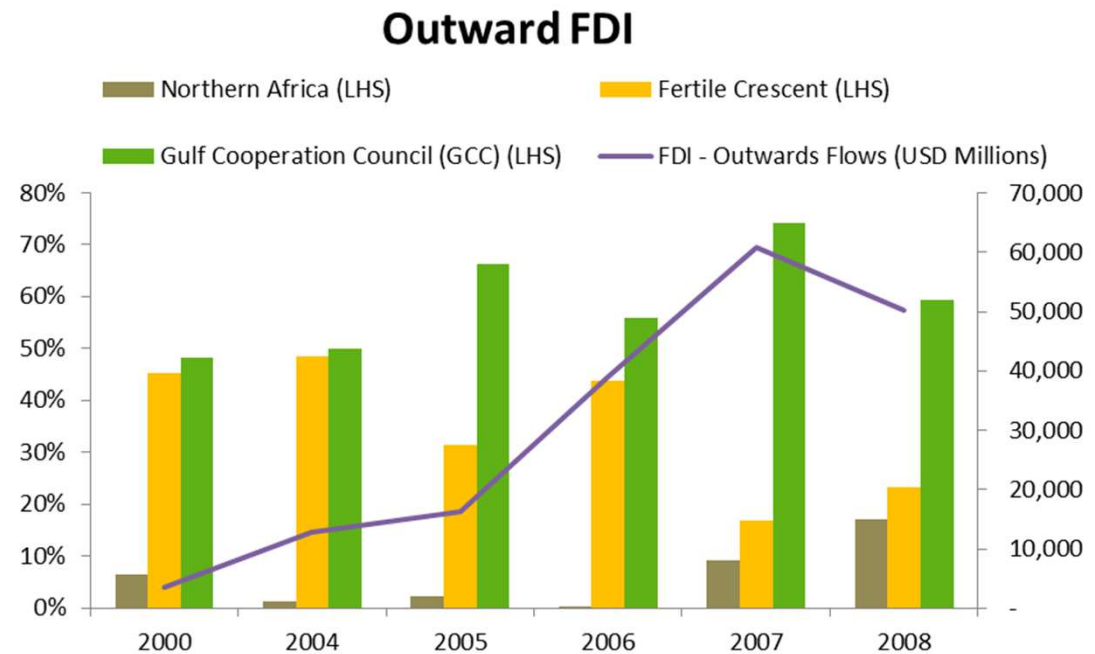
Appendix

The Gulf Countries dominate outward FDI

50% to 70% of MENA FDI is from the GCC, 20% from the Levant, and the remaining 10%-20% from North Africa.

40%

CAGR in total MENA outward FDI from 2000 to 2008



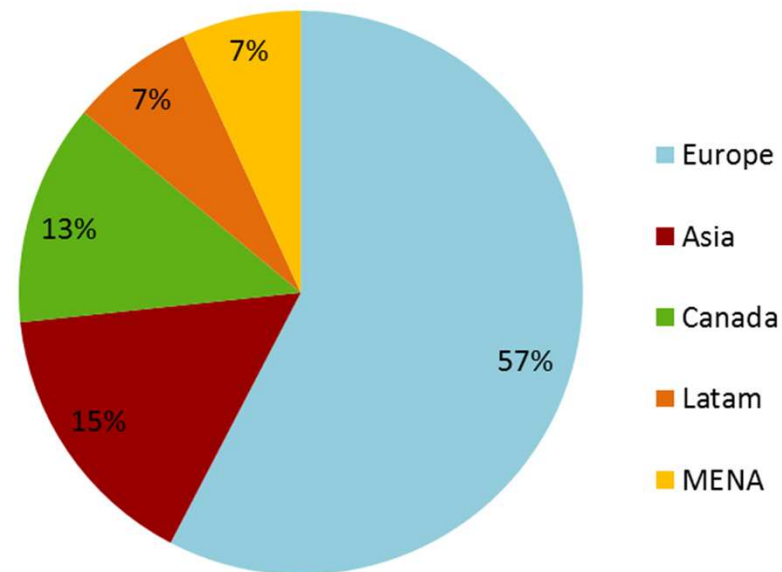
Source: UNCTAD

Appendix

7% of U.S. FDI is from MENA

However, it is likely a good share of this is from Israel in any given year. Otherwise it is coming from the GCC (UAE, Kuwait, or KSA).

FDI flows to the USA by Region 2007-2008 average



Source: BEA

Arab FDI is mostly in Real Estate & Manufacturing

Appendix

Outward MENA FDI by country

FDI - Outwards Flows (USD Millions)	1980	1990	2000	2004	2005	2006	2007	2008
Middle East & North Africa	676	(568)	3,499	12,785	16,177	39,055	60,868	50,173
Northern Africa	88	135	228	166	365	134	5,545	8,635
Algeria	34	5	18	258	57	35	295	318
Egypt	7	12	51	159	92	148	665	1,920
Libyan Arab Jamahiriya	47	105	98	(286)	128	(534)	3,933	5,888
Morocco	-	13	59	31	75	445	621	369
Sudan	-	-	-	-	-	7	11	98
Tunisia	-	-	2	4	13	33	20	42
Fertile Crescent	2	201	1,583	6,215	5,082	17,094	10,231	11,722
Iraq	-	-	-	-	89	305	149	181
Jordan	3	(31)	9	18	163	(138)	48	13
Lebanon	2	(16)	108	827	716	875	848	987
Occupied Palestinian Territory	-	-	218	9	43	129	44	45
Israel	(3)	261	335	4,533	2,946	14,944	6,981	7,854
Syrian Arab Republic	-	3	43	48	61	55	55	57
Turkey	-	(16)	870	780	1,064	924	2,106	2,585
Gulf Cooperation Council (GCC)	586	(904)	1,688	6,404	10,730	21,827	45,092	29,816
Bahrain	-	25	10	1,036	1,135	980	1,669	1,620
Kuwait	407	(239)	(303)	2,581	5,142	8,240	10,156	8,521
Qatar	2	2	18	438	352	127	5,263	2,400
Oman	1	-	(2)	42	234	275	243	329
Saudi Arabia	178	(634)	1,550	78	53	1,257	13,139	1,080
United Arab Emirates	(2)	(58)	424	2,208	3,749	10,892	14,568	15,800
Yemen (not in the GCC)	-	-	(9)	21	65	56	54	66

Source: UNCTAD

Appendix

Arab world exports are 5% of total

USA has **Free Trade Agreements (FTA)** with Jordan, Israel, Morocco, Bahrain, and Oman but bilateral trade is considerably smaller. UAE is no 1. export destination.

Exports = \$67bn

Imports = (\$139bn)

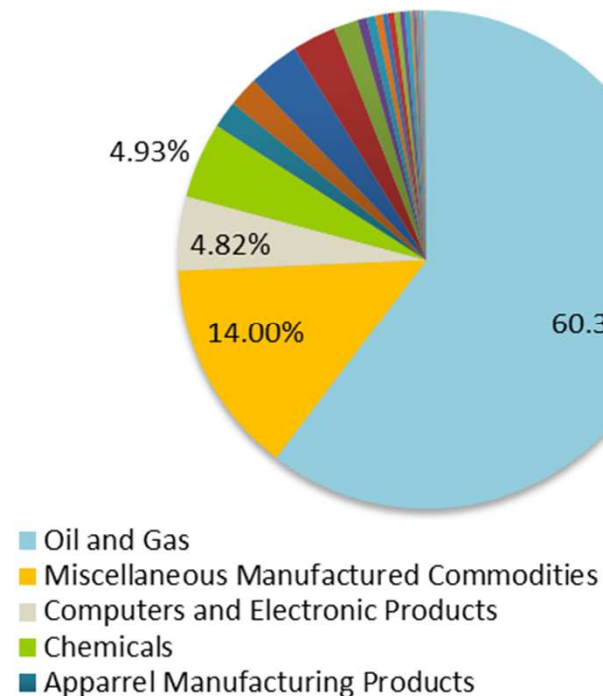
Trade Balance = (\$72bn)

Saudi Arabia is No. 1 import market

40%

of MENA exports to the US
are non Oil and Gas Related

MENA Exports to the USA 2009



Source: BEA

Appendix

No1. export destination, Egypt

Egypt is MD's biggest export market in MENA and the largest recipient of US Security assistance in the Arab World. Should there be a trade mission, these would be the countries to visit.

MD's top exports to the Arab world

- Transportation Equipment \$856mn
- Computer & Electronic Products \$129mn
- Machinery (not electrical) \$81mn
- Fabricated Metal Products \$80mn

		2009	2008
World	\$	9,229	\$ 11,383
Arab World	\$	1,417	\$ 1,730
Egypt	\$	479	\$ 487
Saudi Arabia	\$	372	\$ 440
United Arab Emirates	\$	146	\$ 274
Iraq	\$	110	\$ 86
Kuwait	\$	101	\$ 117
Oman	\$	61	\$ 131
Bahrain	\$	31	\$ 40
Qatar	\$	30	\$ 44
Lebanon	\$	29	\$ 42
Algeria	\$	16	\$ 37
Jordan	\$	14	\$ 11
Libya	\$	7	\$ 3
Morocco	\$	6	\$ 4
Tunisia	\$	5	\$ 5
Yemen	\$	4	\$ 5
Djibouti	\$	4	\$ 2
Mauritania	\$	1	\$ 1

Source: National US Arab Chamber of Commerce

Appendix

2006 DP World fiasco

DP World, one of the world's biggest and most successful ports operators was rebuffed by US lawmakers on 3/16/2006 when the **House of Reps** passed legislation to block a full DP World acquisition of P&O ports. The Bush administration backed DP World in the matter and threatened a veto. Nonetheless, DP World ultimately sold off the assets to AIG's asset management division.



Other US/MENA Economic Roadblocks

Section 1083

Threatens legal action against US companies operating in Libya, as a result US Companies are shut out while others like France capitalize on Libyan development



*Governor
Martin O'Malley*



*Lt. Governor Anthony
Brown*

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